

**Economic Impact Statement**

LSA Document #18-316

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****Estimated Number of Small Businesses Subject to this Rule:**

There are approximately 314 licensed nursery growers registered in the state. It is estimated that a small portion, perhaps as many as 20 of these nurseries, produce any of the species being considered for regulation. There are nearly 3,500 retailers in the state that sell plants including landscape retail stores, big-box stores (i.e., Lowes, Walmart, etc.), and grocery chains. Of those retail outlets, it is estimated that as many as 1/3 may sell a few of the plants listed for regulation. Of that 1/3, only 200 hold plants over from season to season. Only vendors holding stock from season to season will be economically impacted by this rule. The other businesses would simply substitute similar plants into their inventory when ordering stock for the subsequent year.

**Estimated Average Annual Reporting, Record Keeping, and Other Administrative Costs Small Businesses Will Incur for Compliance:**

There are no reporting, record keeping, or administrative costs imposed on small businesses as a result of this rule.

**Estimated Total Annual Economic Impact on Small Businesses to Comply:**

It is expected that the economic impact to production nurseries, wholesalers, and retailers will be in disposal of existing stock. After a business is in compliance, there would be no annual economic impact. Businesses that produce or sell regulated species will need to eliminate all existing inventories of the regulated species. Of the 44 plants listed for regulation only 22 can be found in trade. A survey conducted by the division of entomology and plant pathology (DEPP) found 4 of the 22 plants (black alder, wintercreeper, amur honeysuckle, and common buckthorn) are regularly grown or produced in Indiana. The same survey discovered that if we extrapolate these findings to the rest of the nursery industry we can estimate that perhaps \$150,000 in plants may require destruction by the implementation of this rule.

The approval and implementation of this rule will take almost a year, which should provide adequate time for businesses not growing stock to replace these plants in their inventory with something similar. This would significantly reduce if not eliminate the economic impact to retailers that neither grow nor hold over plant stock from season to season.

Through education outreach provided by the Indiana department of natural resources (IDNR), businesses who sell these plants will learn about the rule prior to final adoption. This will give these businesses time to adjust their inventory and not order prohibited species as rule promulgation nears. If this is the case, they would have little inventory to eliminate when the rule is implemented. The winter is generally when retail outlets order plants that they sell during the growing season. As the rule progresses and prior to retailers placing their orders, the IDNR will reach out to the retail outlets so that they are aware that some species may be prohibited in the future. Retailers may then avoid ordering those species so that they will not have to destroy inventory when the rule comes into effect.

There are numerous other plants currently in trade that can be used to replace the species proposed for regulation. Wholesale and retail outlets can simply replace the invasive species that are proposed for regulation with a non-invasive species that will have similar customer appeal. There are many plants with similar characteristics to the species proposed for regulation that can be substituted that do not pose a threat to the environment. Other than the possible destruction of regulated species inventory, there should be no other economic loss to businesses.

**Justification Statement of Requirement or Cost:**

A risk assessment tool was developed by the Invasive Plant Species Advisory Working Group (IPSAWG), a group of terrestrial invasive species experts and members representing the plant trade. This group was tasked with assessing which species threaten natural areas in Indiana and developing recommendations on how to regulate said species. Results from the risk assessment were used to select the species that should no longer be allowed in trade in Indiana. Some of the species proposed for regulation have been in trade for many decades. At the time little was known of the capability of these plants to become invasive in nature. When an invasive species escapes into a natural environment, they displace native plants and alter the ecosystem in which the plants exist.

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economic loss to businesses.

Eliminating invasive species from infested natural resources such as native forests can be difficult and expensive. A survey of invasive species control projects was taken during the evaluation process for this rule and over 8.6 million dollars per year is being reported as spent by private and publicly held land managers in Indiana for terrestrial invasive species control on an annual basis. Nonprofit groups like the Little River Wetlands Project report spending over \$100,000 per year to control invasive species on their property. Federal lands like Crane Naval Base recently spent 5 million dollars to control invasive species on their properties. State, county, and city parks and properties report spending tens of thousands of dollars each year to maintain their forests so that visitors can utilize their properties safely. Ecological restoration companies surveyed report spending over a million dollars in invasive species removal alone.

Terrestrial invasive plants also negatively impact the timber trade here in Indiana. Foresters are spending more time on invasive species control than they are in planting new trees as they harvest their crops. The cost of treating invasive plants in woodlots varies from a reported \$100 per acre to \$1,000 per acre per year. Without these control measures the harvested lands would be taken over by invasive plants that are able to regenerate faster than the desired species thereby reducing the number of trees growing in the woodlot. If no control efforts were undertaken during regeneration, the forests would be unsustainable and therefore not a desirable crop. At that point it's in the land manager's best interest to sell, clear, or develop the land. Indiana currently has 4.87 million acres of forest land (20% of the entire land area of the state). Per the Indiana department of agriculture, \$7 billion (2.4%) of Indiana's gross domestic product revolves around timber and the hardwood industry. Considering the importance of the forests to the economy in Indiana, the small cost or inconvenience to take an invasive plant species out of trade pales in comparison to the cost to eradicate a species once it escapes into the environment.

#### **Regulatory Flexibility Analysis of Alternative Methods:**

One alternative to lessen the impact of the destruction of a business's inventory of the proposed species to be regulated is to propose a phase in period where businesses could sell their remaining inventory but not continue to replenish their supplies. This in reality is what is expected to happen over the coming months as this rule goes through the rulemaking process. Nursery inspectors will also be trained to be lenient and educate business owners on the rule the first year that it is in effect. Unfortunately, as businesses continue to sell the regulated species to deplete their inventory, there is the risk that these plants will be released in our natural resources throughout the state.

Another alternative to this regulation is that businesses could warn consumers as to the invasiveness of the species listed in the proposed rule. If businesses effectively express warnings to the consumers and have a less invasive or native plant as an alternative, a certain amount of protection could be achieved. If managers or owners of these businesses do not understand or aren't concerned about the level of potential invasiveness of these listed species, if they do not effectively warn consumers of its invasive characteristics, or if they do not provide alternative plants, this option will not be suitable to stop the spread of invasive plants. It is unlikely that a strategy such as this would have the desired outcome of preventing further introduction of these invasive species into Indiana natural resources.

Convincing a customer to not purchase something in supply is not typically considered a good business practice so it is unlikely that this is a viable option, especially if the invasive material is cheaper or easier for the business to source. To ensure effective measures are met it would be best to teach the store not to purchase the material at all and then ask them to pass the word on to customers to stay away from invasive species. Educational outreach to the general public is already being implemented to teach homeowners about the invasive nature of these plants.

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